

Memo

To: John Gill and Vern Hughes
From: David Griffiths
CC: Anthony Gill
Date: 03/06/99
Re: Terms of Reference All

Membership Motivation

The MRR meeting on 4 March 1999 agreed that understanding membership motivation was critical to membership recruitment and retention.

It was agreed that David Griffiths would prepare a further briefing note for discussion based on our discussion at the meeting. Since the meeting, John Gill has also provided some notes which I have incorporated.

In brief, membership motivation is what influences co-operatives to join and continue their membership of the Federation.

Equally important is our own understanding of the Federation. If we understand and agree on the strengths and competencies of the Federation, then, these should influence our membership recruitment and retention strategy.

Has our strategy been proactive or reactive?

It is difficult to evaluate the performance of the Federation and specifically the effectiveness of its membership recruitment and retention strategy.

GRAND STRATEGY

The first thing to determine is what is our grand strategy for membership recruitment and retention:

- Growth
- Stability
- Turnaround

Growth is about increasing membership.
Stability is defending and maintaining the status quo.
Turnaround is improving recruitment and retention strategy

Implicitly the strategy has been based on growth but explicitly it has been based on stability – that is why the emphasis of discussion has been on meeting an expenditure gap i.e. maintaining status quo income. Implicitly there has also been a turnaround strategy – facilitating the development of new initiatives based on our strengths and competencies.

The Federation's Strategic Plan 1998-2000 does not explicitly refer to membership recruitment and retention. The arguments are implicit – rather than explicit. The Mission Statement and Objectives are as follows:

Mission Statement

To develop and promote the co-operative movement as a means of satisfying the economic and social needs of people.

Objectives

1. To help members improve services to their members by providing information and advice.
2. To make representation to government on legislation and policies to facilitate the development of co-operatives.
3. To promote co-operatives to the public.
4. To facilitate and promote the formation of co-operatives.
5. To educate members and the community at large in co-operative principles and practices.
6. To facilitate co-operation between co-operatives.

OPERATIONAL RECRUITMENT AND RETENTION STRATEGY

How would we describe our operational membership recruitment strategy:

Cost leadership – capturing and retaining members through price.
Differentiation – a market image and service that is different from our competitors.
Focus strategy – a niche market
Mixed strategy - a simultaneous pursuit of cost leadership and differentiation

Cost leadership is not a realistic strategy with limited and limiting services. Differentiation is the basis of our marketing strategy but this may need to be more precisely defined and articulate. While this differentiation is clearly stated in the brochure Introducing the Co-operative Federation of Victoria, the brochure does not have a defining explicitness.

The choice of strategy is dependent on a number of things:

- The profitability of the industry
- The profitability of the Federation
- The Federation's actual and perceived strengths and weaknesses
- The external forces that affect the Federation's performance

- The internal forces that affect the Federation's performance
- The Federation's distinct competencies

ADVERSE CONSEQUENCES

We need to precisely identify the external forces that adversely impact on the Federation services and, therefore, membership recruitment and retention.

- Economic
- Technology
- Political
- Cultural
- Regulative
- Demographic

STRENGTHS

What are the Federations strengths?

- Communication skills
- Member relations
- Technical skills
- Member relations

WEAKNESSES

What are the Federations strengths?

- Communication skills
- Member relations
- Technical skills
- Member relations

DISTINCTIVE COMPETENCIES

What are our distinctive competencies?

- Co-operative legislation
- Co-operative development
- Co-operative advocacy
- Co-operative education
- Co-operative publications

Co-operatives will only become and remain members if they perceive that the Federation is providing value for money unique services which assist them to operate as effective co-operatives and promote co-operation.

A strong membership, therefore, depends on the Federation providing needed quality services which no-one else provides at a reasonable equitable cost and being seen as doing so.

This value for money criteria is subject to various qualifications. Most important of these is the acceptance that fees are related to capacity to pay and the larger co-operatives are prepared to subsidise the smaller co-operatives in the interests of the co-operative movement and the indirect benefits they perceive from a favourable co-operative image. Other qualifications are the possibility of

Draft & Without Prejudice & Confidential

differing perceptions on what is value for money and the realities of initial and ongoing membership being determined by influentials and history within co-operatives.

Promotion is important and we need to keep informed members and non-members of what we are doing through VCN, annual reports, meetings and the media .

The peripheral services such as insurance and telephone discount schemes , which are available from other services have not been widely –used , have minimal growth potential and will never be important in influencing membership.

What is important, therefore, is that membership recruitment and retention should be primarily market-based rather than expenditure-based i.e. recruiting and retaining number of members rather than setting subscription levels for a given level of expenditure. What this also means is that we need to understand the co-operative market and its expectations of the Federation – to assist us to provide better and different services within our strengths and competencies and communicate these better and differently.

While separation is possible, the board meeting on 20 August 1998 in reviewing membership subscriptions focussed on this Objective: To raise \$37,000 in member subscriptions in the 1998/99 financial year to defray the costs of administering the Federation and the provision of services to members. While a practical and necessary objective, it was not related to the issue of the relationship of subscription levels to membership recruitment and retention. There was no information or discussion on the market and subscription levels . Market forces, however, asserted themselves at the AGM when by a 10/8 vote a board proposal to increase the minimum subscription from \$50 to \$100 was rejected.

A case in point is the Warrnambool Co-operative Society Ltd. To become a member Warrnambool would have to pay up to \$3000 with an annual income of approximately \$20 million – only \$700 less than billion dollar co-ops such as Bonlac and Murray Goulburn. There is a strong argument, therefore, to reduce the required subscription level. What this should be would require careful consideration but at a minimum should be reduced to \$2500 and possibly to \$2000 which could require a consequential reduction for two other member-co-ops who were paying \$2500 each in 1997/98.